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Notes on the Economic Theories of Socialism

Gerry O'Quigley

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Claims made about economic theory are always embedded in some political context. Members of socialist parties are involved in a fundamental reappraisal of socialism itself. Many have already concluded that socialism is to be written off. Others reject this by pointing out that although 'Marxism-Leninism' and 'Social Democracy' have undoubtedly failed, socialism has never been tried. But this is far too complacent. Socialism as an ideal can hardly be abstracted from every attempt that was ever made to implement it. If we automatically absolve the socialist ideal from any responsibility for its deformations in practice, we will never even pose the question of whether there is a necessary link between socialism and economic failure and depotism. No socialist is ever again entitled to ask for a 'leap of faith'.

In these short notes, I am concerned with what may loosely be called socialist economic theory. I will attempt to outline certain economic aspects of a possible future socialism. It is not very difficult to outline some kind of model which shows a thoroughly transformed, socialised economy, which is at the same time genuinely democratic and non-statist. However, the important question is whether we will ever be in a position to implement anything like this. It is one thing to know where you want to go, it is quite another to be able to specify how exactly you might get there. The question of the possibility of socialism cannot be treated as an afterthought. Any search for a better future must begin by looking for the signs of its nature and feasibility in the present.

So what is the nature of the present? Let us examine three axioms of resurgent capitalist ideology. First, economic rationality requires the market. The socialist argument against this claim is still as strong as ever. The market does not, in fact, rationalize social relations but it is the particular framework of social relations which determines how the market will operate. The 'actual existing' capitalist market system leads to poverty, uneven development and ecological crisis. In any case, there is no such thing as a 'pure' market economy. Second, democracy requires capitalism. It is true there has been an elective affinity between
democracy and capitalism during the struggle against feudal absolutism but there is no necessary connection between the two as such. The third axiom holds that economic development requires that a given country or region adopt an unguarded, open-door policy to the rest of the world. But, given the already entrenched structural inequalities that exist between core and periphery, this approach can only reproduce polarization. Many of the claims made on behalf of capitalism may be rebutted on both logical and empirical grounds. But all this proves is that essential aims of socialism, such as overcoming the anarchy of market forces, extended participation and distributive justice, are incapable of being met by capitalism. It remains to be seen whether we can ever see a socialist economy that is more economically efficient than a capitalist one.

When analysing contemporary capitalism, it is advisable to keep in mind the Gramscian dictum that the old is dying but the new is unable to be born. The historical changes of the late nineteenth and twentieth centuries call into question many features of the Marxist position. Today, Marxism seems to be haunted by the spectre of history. Marxism has changed history, but so, too, has history changed Marxism. As theory and movement, Marxism is in crisis. The problem is that Marxism has to re-evaluate itself and it cannot rely on

its existing points of reference as it is precisely these that are problematic. Marxism cannot be an idealism which continuously restates Marx's categories regardless of the actual directions the world is taking. Central to Marx's assumptions is that the social field is constituted by human beings acting upon natural objects to produce useful objects. This is, of course, the activity of labour from which Marx derives the entire complex of ideas known as the mode of production. In the light of the dramatic changes to capitalism that has occurred this century can we continue to assume, as a basic paradigm of practice, human beings working on things? In the US more than half the workforce is engaged in the service sector. This means that labour now takes the form of men and women acting on other men and women, or, more significantly, people acting on information and information acting on people. In the advanced sectors of the economy, the manipulation of information tends to characterize human activity. So, alongside the mode of production appears the mode of information, as the creation, transformation and movement of information are the objects of the important new technologies that are introduced into the economy. If advanced capitalism is becoming an information society in addition to the older configuration of a labour society, we need to develop concepts that can adequately theorize the emerging social field.

2. Ibid., p. 53.
Much recent theorizing has occurred at lower levels of abstraction and has developed a range of 'intermediate' concepts that have been of some use in establishing the structural conditions which sustain (or fail to sustain) capital accumulation during particular times and in particular places. Examples include the regulation theory (RT) associated with French Marxists and the social structure of accumulation theory (SSAT) produced by Marxisant economists in the United States.³ RT holds that capitalism has experienced a sequence of 'regimes of accumulation', each associated with a particular 'mode of regulation' that governs the accumulation process. The SSAT sought to explain long waves in capital accumulation as a consequence of the successive creation and collapse of a supporting institutional structure. The significance of both these schools is that they go beyond, while at the same time, making use of, traditional Marxian formulations, and have stimulated a good deal of empirical work on historical and contemporary issues. In different ways, both schools want to explain how capitalism manages to overcome its periodic, systemic crises. In the conventional Marxian view, the transition between dominant modes of production is marked by social crisis and finally social revolution, ultimately due to the growing contraction between the forces of production and the relations of production, and

³ D.M. Katz, 'A Comparative Analysis of the Theory of Regulation and the Social Structure of Accumulation Theory', Science and Society, Vol. 54, No. 1, Spring, 1990,
expressed in the sharpening class struggles that eventually lead to revolution. They found an answer in specific institutional forms, societal norms, and patterns of strategic conduct which both expressed and regulated these conflicts.

The key concepts offered by RT are 'regime of accumulation' and 'mode of regulation'. An accumulation regime is a particular combination of production and consumption which can be reproduced over time, and a mode of regulation refers to an institutional ensemble and complex of norms which can secure capitalist reproduction pro tempore despite the conflictual and antagonistic character of capitalist social relations. The regulation theorists partly emerged out of so-called Althusserian structuralism but have abandoned the latter's assumption that structures, and agents whose role is dictated by the structures, maintain themselves more or less automatically. In other words, they are fully aware of the ramifications of class struggle. This approach of the Regulation Theorists is to deploy categories that combine a concern with both structure and agency. Too much emphasis on the former leads to charges of 'determinism', 'economism' etc., while excessive concentration on the latter leaves one vulnerable to accusations of 'voluntarism'. Marxist theory in the past has been overly concerned with class struggle or capital

accumulation in general when what is badly needed is the specific forms that these actually assume in different conjunctures. This would at least give us some clue as to how capitalism manages to survive despite both class struggle and crisis tendencies.

There has been much dispute recently about the question of the changing nature of capitalism. Most familiar of the English-speaking world is the debate between the proponents of 'New Times' centred around the journal *Marxism Today* and their many detractors of various persuasions. In a sense, the dispute revolves around the question of whether certain new trends signify a break with the traditional Fordist economy. There is a consensus that post-war capitalist growth and relative stability rested on two pillars. On the one hand, a model of development based on mechanization and a particular organisation of labour, Taylorism, established itself more or less fully in the capitalist heartlands and made for very rapid productivity gains. Second, these gains were partly distributed to the wage-earning population through a network of collective agreements and institutions of the welfare state. Thus, Fordism was primed by the growth of domestic consumption.\(^5\)

International trade also grew, though at a slower pace, so that the ratio of exports to domestic production

declines to reach an alltime low by the end of the 1960s. The US dollar was recognised by virtually all as the universal medium of exchange. The late 1960s also witnessed a massive increase in the social power of labour signalled by a major upsurge in strike activity. This wave was largely based on the capacity for self-mobilization and self-organisation of the rank-and-file of sections of the industrial working class. Interestingly, this kind of militancy was hardly ever initiated by the conservative and cautious existing trade union organisations. It is possible to argue that the self-mobilization of workers was a spontaneous and collective response to the attempts of capital to shift the intensifying competitive pressures of the world-economy onto labour. If this was the case then labour was successful, at least in the short-term, by forcing capital to concede major wage increases and, in some cases, changes in work practice. The rank-and-file protest must be seen against the backdrop of a decline in the rate of productivity growth - a decline which could only be halted by ever more costly investments. The result was a fall in profit rates which, in turn, caused a decline in investment, growth of unemployment and a crisis of the welfare state. This was a 'supply-side crisis' or, in Marxist terms, a 'classical' crisis brought about by the rising organic composition of capital and a falling rate of profit.

At the same time, multinational companies deployed their productive apparatus across continents to boost productivity through economies of scale, and subcontracted production to a number of Third World countries in an effort to restore profitability. Over the next decade these would become the 'newly industrialising countries'. World trade began to grow much faster than each country's internal market and the regulation of growth in demand and supply. The oil shocks of the 1970s, and the need to export more to pay for oil, led to what might be termed a 'demand side crisis'.

From 1973 to about 1979 governments attempted to restore profitability by relying on traditional demand management techniques. But the neglect of the supply-side aspect of the crisis meant that there were no dramatic breakthroughs. Instead, a 'monetarist' phase began a credit squeeze to get rid of 'lame ducks', thereby favouring firms with a competitive future. The social power of labour began to weaken when collective agreements and the welfare state were dismantled to make way for higher profits and (supposedly) investment. Cost-cutting activities became increasingly important: there was a substitution of cheaper for more expensive labour within many core states, often by using women and immigrants; plant relocation from core to periphery and the substitution of imports for domestic production; and
finally a substitution of intellectual and scientific labour power for proletarian labour power in production processes - automation and the use of science-based technologies being its more important aspects. It would not be too crude to say that while an industrial working class is emerging in some NICs, many core countries are becoming third-worldized, as a result of the emergence of 'collective servants' such as car park attendants and burger flippers, subsisting off a trickle-down of middle class consumption. Clearly, significant changes have occurred in the world-capitalist system. Some theorists claim that the Fordist system is actually coming to an end in the mature, capitalist economies and is being replaced by 'post-Fordism'. The post-Fordist paradigm is Marxist in its basic form of analysis (notably in the causal priority it assigns to the new information-based technologies of production and distribution) even though it is highly subversive of left-wing orthodoxy in what it infers for the position of the working class, the appropriate forms of state and welfare institutions, and the role of socialist parties. An essential component of post-Fordism is flexible specialisation or 'flec-spec' which involves the production of a range of customised goods by skilled workers using reprogrammable technology. This contrasts with the Fordist mass-production methods which relied on special purpose (inflexible) machinery.

unskilled and semi-skilled labour, to produce vast quantities of standardised goods. It is argued that the new terrain of high technology, of small firms, computers and information technology is a future of diversity and flexibility, of internationalization on the one hand and specialist production on the other. Critics argue that this 'new orthodoxy' exaggerates the extent of these supposed transformations or that it is merely a reflection of the socio-economic role of those intellectuals promoting it. \(^9\) One suspects that critics of post-Fordism are as much motivated by dislike of the politics of the editorial board of *Marxism Today* and their admirers in the British Labour Party.

Nevertheless, I think one can make a case for focusing on post-Fordism as the 'leading edge' of current developments. After all, when Marx looked at the leading edge of his time, industrial capitalism, it scarcely dominated the reality of Europe but it indicated the way for the future. \(^10\) Our present is made up both of past and future. New elements are being born within a society made up of layers of tradition, of institutions rooted in the past, of millions of people whose lives are still determined by the old.


Right wing politicians and theorists claim that socialist ideas and practices have been completely discredited. In re-evaluating the assumptions that socialists make, there will be major disagreement. One such area of disagreement concerns the question of the market and its relation to control and planning. An interesting debate on this question was recently conducted by Alec Nove and Ernest Mandel in the pages of New Left Review. For some socialists, the market is inextricably linked with commodity production, private appropriation of surplus value, and consequently, the exploitation of one class by another. This view is combined with a grudging acceptance that we will have to accept the dominance of the market for some time, but what is really wanted is the growing democratic intervention in the market on behalf of the majority. This is a prelude to the elimination of the market altogether. Apart from some woolly phrasing like 'democratic' or 'negotiated' planning, it is never specified what precise mechanisms or processes will replace the market. Instead of being 'utopian' it would be better to attempt to construct a healthy symbiosis between planning and a subordinate market in which planning dominates long-term and environmental decisions, overall frameworks like transport, education and health, and capital goods. Measures are needed to counteract the bad features (encouraging acquisitiveness; creating

inequality) but permitting their good ones (flexibility; innovation; quality variation). It would be useful to investigate the means whereby public authorities could perform the task of 'socializing the market', by organizing non-antagonistic social relations within networks of buyers and sellers that could transcend the autonomy of the enterprise.12

Socialists must formulate more credible policies of social ownership. Traditional strategies of nationalization are rendered increasingly ineffective because of the growing territorial fragmentation of production. There simply is not much to actually nationalize beyond a factory and some machinery - 'nationalization may give a government control over a lowland plain rather than a commanding height.'13 This creates some fundamental questions. First, how can large international companies be controlled and second, why should these companies be controlled, in whose interests, to what ends? Is it possible to avoid the constraints of the international market? It is clear that there are a lot of hard choices to be made. There may have to be some trade-off between criteria of efficiency and commitments to equality or justice.14 There is also the question of 'socialist management'. In the operation of

public industry or interventionist agency, the lack of 'progressive' managers would be a serious constraint.

The credibility of the socialist project will sink further unless it fully engages with arguments based on the physical and social limits to growth and the need to preserve the environment from lasting damage. It will be a major challenge to come up with an economic model that is efficient, socially responsible and ecologically sound. If all these criteria cannot be achieved we then need to honestly acknowledge the dilemma and consider what kind of compromises or trade-offs must be made. Attention could usefully be devoted to ways that people could work outside of the labour market, in other words, to cease treating labour as a commodity. This could be done by work-sharing, basic income and an expansion of the voluntary sector. 15

Socialists face a complex situation in which the old is coexisting with the new. Much of the old language of socialism is obsolete but a new language has not fully emerged. The difficulty is in holding together a multiple perspective in which old modes of analysis, if not sufficient, are still necessary, but in which we are forced to think the new.